



U.S. SENATE BANKING COMMITTEE

**For Immediate Release
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**Opening Statement of Senator Chris Dodd
“The Semi-Annual Monetary Policy Report to the Congress” and “Recent
Developments in U.S. Financial Markets and Regulatory Responses to Them”**

Remarks as Prepared:

We meet today in an unusual and extraordinary moment for our country and this Committee. We are conducting two hearings consecutively. The first hearing will be to receive the semi-annual monetary policy report from the Federal Reserve, as previously scheduled. After the conclusion of that hearing, we will convene a second hearing on recent developments in the U.S. financial markets and regulatory responses to them. This second hearing was noticed yesterday with the consent of Ranking Member Shelby due to the special and exigent circumstances in our nation’s financial markets.

I thank Chairman Bernanke for testifying at both hearings. I also thank Secretary Paulson and Chairman Cox for agreeing to appear on very short notice at the second hearing. In deference to them and the important matters at hand, I will provide a brief opening statement, as will Senator Shelby. Then, I will ask Members to forego opening remarks. Any opening statements they have will be made part of the written record if they so choose.

In considering the state of our economy, and in particular the turmoil of recent days, it is important to distinguish between fear and facts. In our markets today, far too many actions are being driven by fear, and are ignoring crucial facts.

One such fact is that Fannie Mae and Freddie Mac have core strengths that are helping them weather the stormy seas of today’s financial markets. They are adequately capitalized. They are able to access the debt markets. They have solid portfolios with relatively few risky subprime mortgages. They are well-regulated. And they have played a vital role in maintaining the flow of affordable mortgage credit even during these volatile times.

Another fact is that the subprime lending fiasco was a preventable event. In this Committee, 18 months of exhaustive hearings have documented what I have called a

pattern of regulatory neglect. The previous leadership of the Fed, along with other financial agency leaders appointed by this Administration, ignored the clear and present danger posed by predatory lending to homeowners, to financial institutions, and to the economy as a whole.

The result of this neglect is that Americans are experiencing unprecedented hardship and uncertainties. Foreclosure rates continue at record levels; each and every day in America, more than 8,000 families enter foreclosure. For those lucky enough to keep their homes, the value of those homes has dropped by the greatest amount since the Great Depression. Millions more are paying record-high prices for gas, for health care, for education, and even for the food they put on the table. They are watching the value of their pension funds and 401(k)'s plummet. And they want to know: when will things start to turn around? When will America get back on track?

Chairman Bernanke, you are to be commended for your efforts to bring greater stability to our financial system during an unprecedented period of volatility. You also deserve credit for your willingness to address some of the unsafe, unsound and predatory practices that proliferated over the last several years in the subprime mortgage market as well as in credit card lending.

We look forward to hearing from you today about the outlook for the nation's economy and what can be done to improve it.

Certainly, this Committee has worked diligently in this regard. On Friday evening, the Senate passed, with an overwhelmingly bi-partisan majority, a bill that will assist homeowners at risk of foreclosure, establish a new, permanent affordable housing fund, modernize the FHA, strengthen the regulation of the GSEs, and help restore confidence to the mortgage markets as a whole. It's certainly my view that this legislation deserves to be enacted as soon as possible.

In addition, we are all by now aware that the Treasury and SEC, as well as the Fed, made important policy announcements this weekend which we intend to examine carefully in the hearing later today with you, Secretary Paulson, and Chairman Cox.

I think I can speak for everyone on this Committee in saying that we all share a common desire to promote the common good. And I think we all certainly appreciate the spirit in which the Fed, the SEC, and Treasury Department have acted.

But we do them and the American people a disservice if we do not examine very carefully the proposals they have put forward. That is particularly true of the Treasury proposal. It is in many respects unprecedented. Although limited in duration, it would give the Treasury unlimited new authority to purchase GSE debt and equity. It would exempt those purchases from pay-as-you-go budget rules. And it would grant to the Federal Reserve considerable new powers in relation to the regulation of the GSEs. These new powers could have the effect of crippling the efforts of virtually every member of this Committee to create a true world-class regulator for the GSEs.

These proposals raise serious questions -- questions about the nature of the economic crisis facing our nation, about the ability of these proposals to address that crisis effectively, and about the burden the American taxpayer is potentially being asked to carry. These questions deserve serious answers.

Above all, this is a time to act on the basis of fact, not fear. For too many years, leaders have shirked their duty to protect the American taxpayer and promote the American economy. At this critical moment, we must not flinch from our duty to do the same.